Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-1: Refer to the Company's cover letter at 2. Will Berkshire incur any costs for the services that will be provided by BP Energy Company's ("BP Energy") experts in establishing and implementing resource strategies? If so, how does the Company propose to recover these costs?

Response: There are no costs associated with the services provided by BP Energy personnel in the Alliance.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-2: Refer to the Company's cover letter at 2, and also Ms. Zink's testimony at 13.

(a) Provide data or other evidence to support Berkshire's assertion that "BP Energy is the largest producer and reserves holder of natural gas in North America."

(b) Provide data or other evidence to support the Company's assertion that BP Energy is a "financially strong company with solid and ethical business values . . . ."

(c) Indicate whether BP Energy has been investigated by a federal, state, or local agency for any type of trading improprieties in the past 3 years i.e., since January 1, 2001). What was the outcome of the investigation, if any?

(d) Provide data or other evidence to demonstrate how "BP Energy's supply resources are located in key areas relative to the Company's supply, transportation and storage resources." Provide a map or other illustrations where appropriate.

Response:

(a) Please refer to Attachment DTE-1-2(A), the 2003 Annual Report of BP. This report describes BP's business and BP's leadership roll in the North American natural gas market. (p. 27).

(b) Please refer to Attachment DTE-1-2(A). Please also refer to BP's website generally and a file entitled "What We Stand For" downloadable from http://www.bp.com/sectiongenericarticle.do?categoryId=2011127&contentId=2016307

(c) BP Energy is a party to proceedings at the Federal Energy Regulatory Commission involving the California Power Crisis that occurred in 2000-2001. As part of those proceedings a separate docket was opened in which BP Energy's conduct in a small number of power trades was called into question. As party of the proceeding, BP Energy and the FERC Staff reached a settlement that was approved by the FERC in Docket No. EL03-60. The Settlement Agreement and FERC order may be accessed at the FERC web site.

(d) Berkshire has its supply, transportation and storage resources from the Gulf Coast to its service territory in the northeast. BP maintains extensive resources throughout North America. Please refer to Attachment DTE-1-2(A).

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-3: Refer to the Optimization and Purchase Agreements ("Optimization Agreement" or "Agreement").

(a) Please discuss how the proposed Agreements are consistent with the public interest, i.e., (a) the Agreements are consistent with Berkshire's portfolio objectives, and (b) the Agreements compared favorably to the range of alternatives reasonably available to Berkshire and its customers. See Berkshire Gas Company, D.T.E. 02-19, at 6 (2002). Provide all necessary data or other evidence to support your contention.

(b) Please discuss whether the pricing terms in the Agreements are competitive with those for the broad range of capacity, storage, and commodity options that were available to Berkshire, as well as with the opportunities available to other local distribution companies in the region at the time of the agreement. See D.T.E. 02-19, at 6. Provide all necessary data or other evidence to support your contention.

(c) Provide supporting data to demonstrate that the agreements satisfy Berkshire's non-price objectives, including, but not limited to, flexibility of nominations and reliability and diversity of supplies. See D.T.E. 02-19, at 6.

Response:

(a) As noted in D.T.E. 02-19, at page 16, the Department found that the Optimization Agreements were part of the Company's overall resource strategy that was likely to (and, indeed, has) benefited Berkshire's customers through lower supply costs. BP's consulting responsibilities seeking to further this important objective was and remains consistent with Berkshire's resource portfolio objectives.
In terms of evaluation of the Optimization Agreement, the Company conducted a vigorous solicitation and negotiation process. Please refer to the response to Information Request AG-1-19. This process ensured that the alliance structure was the superior alternate with respect to the range of alternatives reasonably available to Berkshire and its customers.

(b) See the Company's response to Information Request AG-1-19.

(c) See the Company's response to Information Requests AG-1-19 and AG-2-6.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-4: Refer to the Optimization and Purchase Agreements. Highlight the areas in which the present agreements differ substantially from the agreements approved by the Department in D.T.E. 02-19. Explain in detail any substantial differences.

Response: See the response to Information Request AG-1-27.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-5: Refer to the Optimization Agreement at 14, 62. Explain BP Energy's role in negotiating any new contracts that Berkshire might enter into with third parties, including the purchase of spot gas, while the Optimization and Purchase Agreements are in effect.

Response: BP Energy will not play a role in negotiating any new contracts that Berkshire might enter into with third parties. All contract decisions outside of this Agreement will be made at the sole discretion of the Company. As stated in section 2.4 of the Gas Portfolio Optimization Agreement, BP "shall not have the right to terminate, renew, modify or amend any contract or agreement". The Portfolio Agreement is structured such that the Company will continue to control and operate its resource portfolio.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-6: Refer to the Optimization Agreement at 14-16.

(a) Evaluate BP Energy's performance under Berkshire Gas Company, D.T.E. 01-41 and D.T.E. 02-19 with respect to the scheduling and nomination of gas and maintaining reliability of service.

(b) Will BP Energy be penalized if it fails to schedule and nominate gas or follow the operating procedures in accordance with the terms of the proposed agreements? Please explain.

Response:

(a) The Company has had a working relationship with BP Energy since April 1, 2001. In that time, the gas nominated and scheduled has always been delivered to the Company's citygate, including during extreme conditions such as those occurred in January, 2004. BP Energy has always performed to the Company's satisfaction.

(b) If BP Energy fails to schedule and nominate or follow operating procedures, it would be in violation of the Optimization Agreement, and the Company could exercise its remedies under the Agreement.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-7: Refer to the Optimization Agreement at Article IV ("Payment").

(a) What are the bases for calculating the Company's and BP Energy's shares of savings under the Optimization Agreement and Purchase Agreement in sections 4.2 (a), 4.2 (b), 4.3 (a), and 4.3(b)?

(b) Use hypothetical examples to demonstrate how the calculations will be done in sections 4.2(a), 4.2(b), 4.2(c), 4.3(a), and 4.3(b).

Response:

(a)

(b) Please see Attachment DTE-1-7(B) (Confidential).

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PROTECTED MATERIALS

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-8: Refer to section 4.11, of the Optimization Agreement. Provide the interest rate referred to here.

Response: Interest Rate is defined on page 8-9, Section 1.32, of the Optimization Agreement.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-9: Refer to section 4.14, of the Optimization Agreement.

(a) Explain how the April 1 gas storage level figures were determined.

(b) Explain, using a hypothetical example, how the parties will determine BP Energy's entitlements to an adjustment in the aggregate minimum savings.

Response:

(a)

(b)

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Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-10: Refer to the Optimization Agreement at Article XI ("Audits"). How often does the Company intend to provide copies of audit reports, the transactions book, and cost savings for Department review?

Response: The Company has in the context of relevant regulatory proceedings provided all audit materials requested by the Department or the Attorney General. The transaction book has similarly been made available. Finally, the Company has satisfied the reporting obligations with respect to savings in D.T.E. 01-41 and D.T.E. 02-19. See, for example, the responses to Information Requests AG 1-4 and AG 1-31.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-11: Refer to the Optimization Agreement at 12.1. Explain what the Company means by "Exhibit B-6 shall be updated by the Parties as often as necessary to ensure least cost path optimization." Why does the Optimization Agreement not contain a specific time-table for updating Exhibit B-6?

Response: Exhibit B-6 illustrates the least cost pathing of gas to the Company's service territory to serve its customers on a least cost basis. In the event that the Company obtained, terminated or amended certain transportation contracts, the least cost pathing, currently identified, may change. Therefore, changes to least-cost pathing is not susceptible to a specific time table. However, the Company does not anticipate making any changes to its existing transportation contracts during the term of this Agreement.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-12: Refer to Section 12.9 of the Optimization Agreement. Explain why the special contract supplies listed on Exhibit B-5 will be dispatched outside of the least cost approach.

Response: The reference in Exhibit B-5 is for peaking contracts that are, in fact, utilized by the Company for least cost, reliable service primarily during the heating season. These contracts provide for liquid and/or vapor service to the Company. This resource is an important component of the Company's resource portfolio in that LNG can be utilized to address reliability needs (such as when there are pressure changes on the distribution system) as well as a peaking supply based on degree day analysis. Thus, the purpose of Section 12.9 of the Optimization Agreement is to relieve BP of the obligation to dispatch this particular supply purely on a least cost basis given its critical importance in terms of reliability and flexibility.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-13: Refer to Exhibit B-2 of the Optimization Agreement. Under "General Guidelines for Portfolio Optimization and Unexpected Transactions." How will the Company measure reliable service under the transactions? Has the Company established a benchmark against which BP Energy's performance with respect to service reliability will be measured under the transactions? If so, please provide any relevant supporting documentation.

Response: The purpose of the guidelines is to ensure that service reliability and service quality are of the same, high standards that occur on the Company's system absent the Optimization Agreement. That is, firm gas arrives at the city gate every day on a least cost basis and the quality of the gas is of pipeline quality. Simply put, the Optimization Agreement is intended to enhance the Company's least-cost resource plan and to further its portfolio objectives. Importantly, unlike an asset management arrangement, under the alliance structure, the Company maintains full control of its contractual resources.

The Company has not established any benchmark for measuring BP Energy's performance with respect to service reliability, other than requiring BP Energy to meet its nominating, scheduling and delivery obligations under the Optimization Agreement and Gas Purchase Agreement. This is the same standard or benchmark that the Company applies to all suppliers with respect to service reliability.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-14: Refer to Article 2.6 of the Optimization Agreement. Please describe how the Company's derivatives policy is consistent with the Department's policy on financial risk-management in Risk-Management Techniques, D.T.E. 01-100-A (2002). How will the costs and benefits of any derivatives transactions be treated under the proposed agreements?

Response: Please refer to the response to Information Request DTE-1-15 for a description of how derivatives are employed within the alliance. Consistent with D.T.E. 01-100-A, p. 6, the use of derivatives is not to be for speculative purposes. As noted in the response to Information Request DTE-1-1, the Company incurs no costs to BP Energy. The savings captured within the alliance are returned to customers through the Cost of Gas Adjustment factor. See response to Information Request AG-2-12.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-15: Refer to Section 2.6 of the Optimization Agreement. What percentage of the potential savings does the Company anticipate will result from strategies that use derivatives? Please clearly indicate the role and magnitude that derivatives will play in effectuating any savings.

Response:

CONFIDENTIAL AND PROPRIETARY
PROTECTED MATERIAL

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question DTE 1-16: How familiar is Berkshire with the portfolio optimization strategies that BP Energy will execute under this agreement? Please clearly indicate the depth of understanding that Berkshire has regarding the portfolio optimization strategies and derivatives transactions that may take place through BP Energy. Include a discussion of any prior training or actual work experience of Berkshire's staff.

Response: Berkshire devoted several employees to the optimization process pursuant to the BP Energy Agreement. As a result of the daily discussions with affiliated experts and the BP Energy experts working with the alliance, Company employees gained substantial and valuable experience in a variety of optimization strategies and transactions over the three year relationship with BP Energy and the other Energy East LDCs. The Company is familiar with the portfolio optimization strategies that BP Energy will execute. Furthermore, Berkshire must approve any transaction prior to its execution and implementation by BP Energy. The Company anticipates further and substantial training benefits during the three-year term of the proposed agreements and expects to be in a greater position to exploit optimization-related opportunities upon the expiration of the term of the proposed agreements.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-17: Refer to Ms. Zink's testimony at 4. Is the "the technological and risk management expertise" that BP Energy makes available to the Company free? If yes, please explain. If no (a) please provide the cost and how it is being recovered, and (b) provide justification for the recovery.

Response: Please see response to Information Request DTE 1-1.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-18: Refer to Ms. Zink's testimony at 7-8.

(a) How much did it cost Berkshire to participate in the joint request for proposals ("RFP") process?

(b) Compare the amount in (a) above to what it would have cost the Company to issue an RFP on a stand-alone basis.

(c) Demonstrate how the alliance process is beneficial to Berkshire's customers compared to a solicitation on a stand-alone basis.

Response:

(a) Berkshire expended slightly more than $8,000 for its participation in the joint request for proposals ("RFP") process.

(b) The Company estimates it would take at least 40 hours to review and finalize an RFP for Berkshire on a stand-alone basis as well as review the responses to the RFP. Based on an hourly rate for legal services of $300, this would equate to a minimum charge of $12,000.

(c) The Company believes that the added cost associated with a company-specific RFP would not have provided any benefit for customers. As noted by Berkshire in the course of D.T.E. 02-19, the Company did not receive any beneficial stand alone proposals. Berkshire has been advised by BP Energy that it would have no interest in servicing such a small portfolio. Berkshire does not believe that there have been any market changes that would result in a more substantial interest in the Company's assets on a stand-alone basis. Thus, the Company determined that the maximum value for its customers could be secured through a joint solicitation with other Energy East LDC's. That conclusion was affirmed by the more substantial interest and superior proposals received in response to the Joint RFP that resulted in the execution of the Optimization Agreement with BP Energy.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-19: Refer to Ms. Zink's testimony 7-8.

(a) Describe in detail the joint RFP process. Indicate the companies that received the joint RFP, the companies that responded, and the criteria used to select the companies that received the RFP.

(b) List the price and non-price factors used to evaluate the bids.

(c) Indicate and justify the weights assigned to each price and non-price factor used in the bid evaluation.

(d) Indicate what each bidder's score was on the price and non-price factors used in the bid evaluation. Also, include the credit rating of each bidder.

(e) Based on the response to questions (b) - (d) above, explain why BP Energy was chosen as the winning bidder.

(e) Was the joint RFP process competitive, fair, and transparent? Please explain.

(f) Discuss whether any bidder or potential bidder objected to the joint RFP process regarding its competitiveness, fairness, and transparency.

Response:

(a) Please refer to Attachment AG-1-19(A) for a discussion of the solicitation process and evaluation criteria as provided to bidders. Also refer to Attachment AG-1-19(I), Management Presentation, page 5, for a list of original recipients of the RFP.

(b) Please refer to the response to Information Request AG-1-20.

(c) Please refer to Attachment AG-1-19 (I). These criteria were based upon the Company's planning criteria and then-current market conditions.

(d) Please refer to Attachments AG-1-19 (G) and (I).

(e) Please refer to Attachments AG-1-19 (H) and (I).

(f) Berkshire believes that the Joint RFP process was competitive, fair and transparent. A number of qualified bidders participated in the process and submitted complete and comprehensive proposals. The RFP's standards were clearly articulated and applied and the Company received no complaints as to the RFP's competitiveness, fairness or transparency.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-20: Refer to Ms. Zink's testimony at 13. Discuss whether BP Energy has defaulted in its obligations under any gas portfolio optimization agreement and/or a gas sales and purchase agreement in the past five years.

Response: The Company has no knowledge of whether BP Energy has defaulted in its obligations under any gas portfolio optimization agreement and/or a gas sales and purchase agreement in the past five years. Berkshire can state that BP Energy has not defaulted in its Agreements with Berkshire.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-21: Refer to the Optimization Agreement at 13, Section 2.1. Describe any benefits, other than a reduction in gas costs, that may be achieved through the alliance.

Response: The Company notes that the reduction of gas price volatility and securing savings for customers were the primary benefits pursued by the alliance structure. Berkshire also anticipates identifying and exploiting opportunities for reliability or flexibility benefits. In addition, the Company will continue to enjoy the benefits associated with training and the development of market knowledge. The Company expects to apply this greater experience to the continuing achievement of its least cost resource plan.

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First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-22: Refer to Ms. Zink's testimony at 9. What percentage of Berkshire's total gas supply will BP Energy control under the Optimization and Purchase Agreements?

Response: Berkshire continues to maintain control over its gas supply assets.

****CONFIDENTIAL AND PROPRIETARY****

****PROTECTIVE TREATMENT****

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-23: Refer to Exhibit B-2 of the Company's filing. Clearly define and illustrate how BP Energy will determine the commodity cost of gas when calculating the marginal cost of gas supply under the Company's savings calculation method.

Response: The commodity cost of gas will be determined based on the various pricing options outlined in Section 12. For instance, on page 57-58, Section 12.1, of the Optimization Agreement,

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****PROTECTIVE TREATMENT****

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-24: Refer to Exhibit B-2 of the Company's filing. Will any index publications be used as a component in deriving the marginal cost of gas supply? If so, please identify the publications, and indexes that will be used.

Response: Please see response to Information Request DTE-1-23. The index publications that may be used are outlined in Article 12 of the Optimization Agreement. Indices are also referenced in Article V of the Gas Sales and Purchase Agreement.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-25: Refer to the Company's August 5, 2004 annual report filed in accordance with D.T.E. 02-19.

(a) Provide a copy of the "transaction book" from which savings were calculated for all asset optimization transactions that took place under the D.T.E. 02-19 agreement.

(b) Provide copies of audit reports, if any, that the alliance produced under the D.T.E. 02-19 agreement. Highlight any problems in implementing the D.T.E. 02-19 agreement, and indicate how the alliance addressed these problems.

(c) State whether BP Energy or any member of the alliance objected in any way as to how the D.T.E. 02-19 Agreement was implemented.

(d) Explain the saving deduction labeled "Cost to File (50%)" in Attachment A. What are the specific costs under "Cost to File (50%)"?

Response: (a) See response to Information Request AG-1-54.

(b) See response to Information Request AG-1-33.

(c) Neither BP Energy nor any member of the alliance objected in any way as to the manner in which the DTE 02-19 Agreement was implemented.

(d) Please see the response to Information Request AG-1-78.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-26: Refer to the Optimization and Purchase Agreements. Explain how the following were derived:

(a) aggregate minimum savings

(b) aggregate savings sharing level

(c) benchmark amount

Response: See the response to Information Request AG-1-12.

Department of Telecommunications and Energy
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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-27: Refer to the Netting Agreement at 3-4, Section 10. Explain the meaning of a "forward contract" under the U.S. Bankruptcy Code. Also, illustrate how this effects the referenced "Contract."

Response: Generally, the Bankruptcy court recognizes and enforces a forward contract, as that term is defined in the Bankruptcy Code. A forward contract is distinguished from an executory contract, where a trustee has the right to accept or reject such agreement. The Netting Agreement executed by and between the Company and BP Energy is designated a forward contract, and seeks to attain protection so that if BP Energy ever filed for Bankruptcy protection, the Netting Agreement, which ensures that the Company either receives payment of savings or can offset savings against amounts owed to BP Energy, would be enforced by the Bankruptcy Court.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-28: Refer to Ms. Zink's testimony at 10-11. Given current market conditions, explain how a three-year term is in the best interest of Berkshire's customers.

Response: The RFP allowed the bidders to propose a term of no less than one year and no greater than three years. Several of the responses, including BP Energy's, reflected a three-year term. Given the facts that: a) the Companies had three years of experience with BP Energy coupled with the fact that the 2004 Optimization Agreements were materially the same, and b) under the 2004 Optimization Agreements the Companies still control their gas portfolio assets and the Agreement will result in least cost gas to the Companies' customers, the Companies decided that a three year term was appropriate. In addition, a three-year term with BP Energy provides continuity and the ability to have optimization transactions extending beyond or straddle a one-year term, and avoids the start-up issues associated with a new alliance partner.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-29: Describe the benefits of the hedging activities referred to in Exhibit B-3 of the proposed 2004 Optimization Agreement as they relate to the stated transaction objectives (refer to Section 2.3 of the 2004 Optimization Agreement), i.e., least-cost gas supply and optimization and enhancement of the Portfolio, as that term is defined in the 2004 Optimization Agreement.

Response: Please see response to Information Request DTE-1-15.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question DTE 1-30: Refer to Section 2.7 of the Optimization Agreement. Explain in detail the meaning of the terms "such offers" and "operational procedures." Have these terms been defined in the 2004 Optimization Agreement?

Response: The terms "such offers" and "operational procedures" refer to Section 7 of the Operating Procedures (see the Operating Procedures provided in the response to Information Request AG-1-22). This section describes the coordination and communication responsibilities of Berkshire and BP in supply acquisition. More specifically, in the event that the Company can secure lower cost gas than what is being offered by BP Energy, Berkshire must coordinate the purchase through BP Energy to maintain maximum optimization benefits for all parties.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-31: Explain why "Day" has been defined differently in the Optimization Agreement and in the proposed Gas Sales and Purchase Agreement. How does this difference in definition affect nominations of gas volumes under the company's gas supply contracts in the Portfolio and the proposed Gas Sales and Purchase Agreement.

Response: "Day" is described differently in the Optimization Agreement to coincide with the "Gas Day", referred to in Section 1.28, on the Tennessee Gas Pipeline system. The purpose of the definition is to differentiate the twenty four hour period that represents a normal business day from that of a gas day and to ensure that nominations are made appropriately and timely by all parties.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-32: Refer to the Company's August 5, 2004 annual report. Discuss whether the Company or any representative of the Company has performed internal or external audits of the internal reports generated under the 2002 Optimization Agreement. Indicate the time period when any such audits were performed, the cost of such audits, and also indicate whether any such costs are reflected in the Company's August 5, 2004 annual report, Att. A at 1.

Response: See responses to Information Requests AG-1-33 and AG-1-68.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question DTE 1-33: Discuss in detail the purpose and intent of Section 13.3 of the Optimization Agreement. Explain whether Section 13.3 conflicts Section 1.50 of the Agreement, which states that Berkshire is not a party to any "Regulated Portfolio Agreement."

Response: The purpose of Section 13.3 of the Optimization Agreement is to recognize that each party involved in the Energy East Alliance with BP has its own separate Optimization Agreement. Berkshire is not a party to any of the other Optimization Agreements. This section also illustrates that in the event that Berkshire did not obtain satisfactory regulatory approval of its Optimization Agreement, the remaining companies involved in the Alliance would continue under their own agreements with the Aggregate Minimum Savings being reduced by Berkshire's share. Please see response to Information Request AG-1-50.

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THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-34: Refer to the Optimization Agreement, Exh. B-1, at 2. For all contracts referred to here, indicate the Department docket number for each proceeding.

Response:

1) Request for approval of a Gas Purchase Agreement with BP Energy Company – Docket DTE 02-81 – approved March 14, 2003

2) Request for Approval of a Gas Sales and Related Agreements with Nexen Marketing– filed March 18, 2004 – Docket DTE 04-35 – awaiting approval

3) In October, 2003, the Company notified the DTE regarding its capacity decisions on Tennessee Gas Pipeline contracts. Also, these anticipated capacity decisions were described in detail in the Company's Forecast & Supply Plan Filing – Docket DTE 02-17 – approved February 5, 2003

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-35: Section 16.3 of the Optimization Agreement states that Berkshire must comply with Department regulations, while Section 16.13 represents that the parties may "amend, modify, revise, or supplement" the Optimization Agreement at any time. If the Company amends, modifies, revises, or supplements the Optimization Agreement, how will Berkshire seek Department approval?

Response: Section 16.13 addresses the fact that any amendment to the Optimization Agreement must be duly executed in a written agreement between the parties. The Company would seek appropriate regulatory treatment for any amendment or supplement to the Optimization Agreement.

Department of Telecommunications and Energy
First Set of Information Requests

THE BERKSHIRE GAS COMPANY
D.T.E. 04-47

Witness: **Karen L. Zink**
Date Filed: **September 3, 2004**

Question
DTE 1-36: Refer to Section 16.13 of the Optimization Agreement and Section 19.5 of the Gas Sales and Purchase Agreement ("Purchase Agreement"). Neither section conditions amendments to the Optimization Agreement or the Purchase Agreement upon Department approval. If Berkshire amends, modifies, revises, or supplements either the Optimization Agreement or the Purchase Agreement, how will Berkshire seek Department approval?

Response: Please see response to Information Request DTE-1-35.